

DELWOOD COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

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Delwood Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2007 Election)		
Ron Filloon	President	2007
Steve Kinrade	Board Member	2007
Ronda Denger	Board Member	2008
Carmen Gerlach	Board Member	2008
Jody Holtz	Board Member	2009
Board of Education		
(After September 2007 Election)		
Ronda Denger	President	2008
Carmen Gerlach	Vice President	2008
Jody Holtz	Board Member	2009
Ron Filloon	Board Member	2010
Steve Kinrade	Board Member	2010
School Officials		
Sue Goodall	Superintendent	2008
Jane Goodenow	District Secretary/Treasurer	2008
Ahlers & Cooney, P.C.	Attorney	2008

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Delwood Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Delwood Community School District, Delmar, Iowa as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Delwood Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated April 20, 2009 on our consideration of the Delwood Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 14 and 36 through 37 are not required parts of the basic financial statements, but are supplementary

information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Delwood Community School District's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedule 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

April 20, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Delwood Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$2,085,495 in fiscal 2007 to \$2,322,818 in fiscal 2008, and General Fund expenditures increased from \$2,181,621 in fiscal 2007 to \$2,232,379 in fiscal 2008. The District's General Fund balance increased from \$697,072 in fiscal 2007 to a balance of \$787,511 in fiscal 2008, an increase of 12.97% from the prior year.
- The increase in General Fund revenues was due to enrollment increasing property tax, state aid and categorical funds. The District also received a first time preschool grant to fund the preschool program. The District had an increase in open enrollment and added a summer program paid by two empowerment grants. Increased expenditures were relevant in the instruction area due to the settled wages and benefits, the pass-through of categorical funds such as the teacher quality, preschool, summer school and AEA. Administrative expenditures decreased, but transportation increased due to special education costs to adjust one of the current buses for a wheel chair lift. The District's General Fund balance increased primarily due to the budgeted cost of tuition out students for whole-grade sharing, special education and open-enrollment was less than expected, costs that are unpredictable and vary between the years.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Delwood Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Delwood Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Delwood Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Delwood Community School District Annual Financial Report

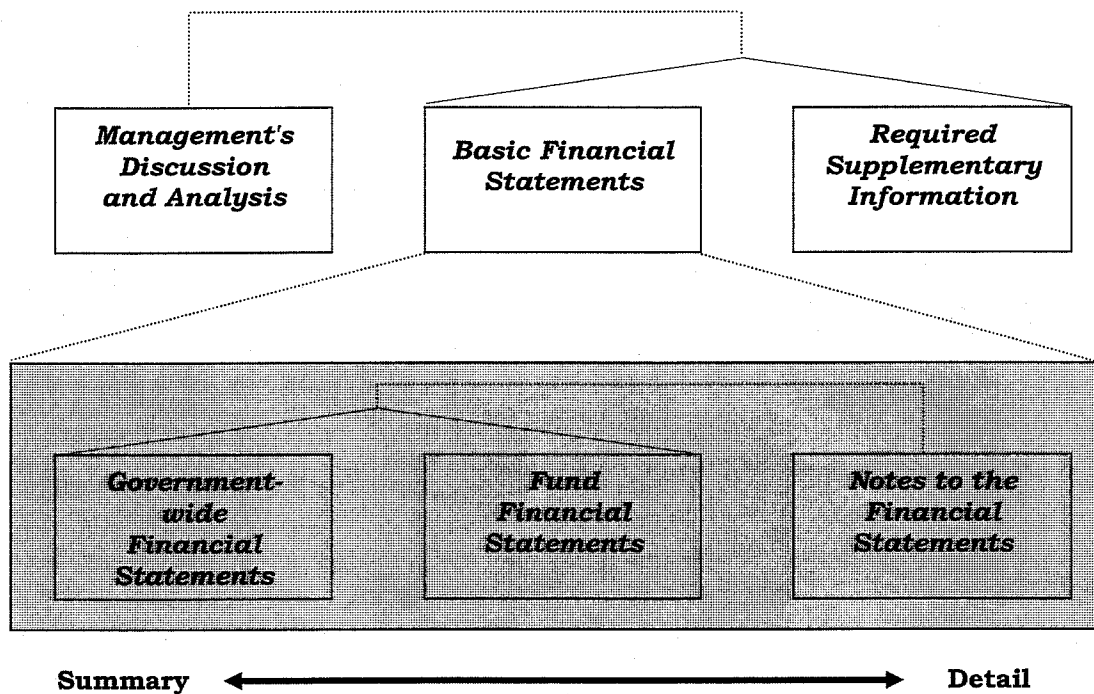


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund. The District's internal service funds, another type of proprietary fund, are the same as its governmental activities but provide more detail and additional information, such as cash flows.

The required financial statements for the proprietary funds include a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Fund.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 2,590,186	2,383,934	982	706	2,591,168	2,384,640	8.66%
Capital assets	1,138,284	1,070,945	10,055	11,679	1,148,339	1,082,624	6.07%
Total assets	3,728,470	3,454,879	11,037	12,385	3,739,507	3,467,264	7.85%
Long-term obligations	232,145	270,000	0	0	232,145	270,000	-14.02%
Other liabilities	937,392	821,635	725	0	938,117	821,635	14.18%
Total liabilities	1,169,537	1,091,635	725	0	1,170,262	1,091,635	7.20%
Net assets:							
Invested in capital assets, net of related debt	933,284	800,945	10,055	11,679	943,339	812,624	16.09%
Restricted	807,804	804,659	0	0	807,804	804,659	0.39%
Unrestricted	817,845	757,640	257	706	818,102	758,346	7.88%
Total net assets	\$ 2,558,933	2,363,244	10,312	12,385	2,569,245	2,375,629	8.15%

The District's combined net assets increased by 8.15%, or \$193,616, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$3,145 or 0.39% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day –to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased 7.88% or \$59,756.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to June 30, 2007.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	2008	2007	2008	2007	2008	2007	2007-08
Revenues and Transfers:							
Program revenues:							
Charges for services	\$ 128,677	136,694	25,305	26,581	153,982	163,275	-5.69%
Operating grants and contributions and restricted interest	328,233	233,969	26,128	26,570	354,361	260,539	36.01%
General revenues:							
Property tax	728,749	811,306	0	0	728,749	811,306	-10.18%
Income surtax	70,168	60,568	0	0	70,168	60,568	15.85%
Local option sales and service tax	170,077	175,089	0	0	170,077	175,089	-2.86%
Unrestricted state grants	1,154,033	963,893	0	0	1,154,033	963,893	19.73%
Other	77,864	86,127	155	208	78,019	86,335	-9.63%
Transfers	(2,745)	(1,683)	2,745	1,683	0	0	0.00%
Total revenues and transfers	2,655,056	2,465,963	54,333	55,042	2,709,389	2,521,005	7.47%
Program expenses:							
Governmental activities:							
Instructional	1,614,727	1,582,036	0	0	1,614,727	1,582,036	2.07%
Support services	599,741	560,913	0	0	599,741	560,913	6.92%
Non-instructional programs	30,951	29,535	56,406	57,163	87,357	86,698	0.76%
Other expenses	213,948	120,020	0	0	213,948	120,020	78.26%
Total expenses	2,459,367	2,292,504	56,406	57,163	2,515,773	2,349,667	7.07%
Change in net assets	195,689	173,459	(2,073)	(2,121)	193,616	171,338	13.00%
Net assets beginning of year	2,363,244	2,189,785	12,385	14,506	2,375,629	2,204,291	7.77%
Net assets end of year	\$ 2,558,933	2,363,244	10,312	12,385	2,569,245	2,375,629	8.15%

In fiscal 2008, property tax, income surtax, local option sales and service tax and unrestricted state grants account for 79.96% of the revenue from governmental activities while charges for services and operating grants and contributions account for 94.66% of the revenue from business type activities.

The District's total revenues were approximately \$2.71 million of which \$2.66 million was for governmental activities and \$0.05 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 7.47% in revenues and a 7.07% increase in expenses. Property tax decreased \$82,557 due to property tax value decreases. Operating grants and contributions and restricted interest increased due to enrollment and the preschool grant. Charges for services decreased because the District is no longer sharing a 0.3 music position with a private school. State aide increased due to the enrollment increase and property tax decrease. The increase in expenses was related primarily to the increase in transportation service costs during the year due to the purchase a new bus and adjustment to one of the older buses by adding a wheel chair lift. Other expenditure increases were primarily due to wage and benefit increases.

Governmental Activities

Revenues for governmental activities were \$2,655,056 and expenses were \$2,459,367.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 1,614,727	1,582,036	2.07%	1,246,879	1,294,196	-3.66%
Support services	599,741	560,913	6.92%	599,741	558,520	7.38%
Non-instructional programs	30,951	29,535	4.79%	30,951	29,535	4.79%
Other expenses	213,948	120,020	78.26%	124,886	39,590	215.45%
Totals	<u>\$ 2,459,367</u>	<u>2,292,504</u>	<u>7.28%</u>	<u>2,002,457</u>	<u>1,921,841</u>	<u>4.19%</u>

- The cost financed by users of the District's programs was \$128,677.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$328,233.
- The net cost of governmental activities was financed with \$728,749 in property tax, \$70,168 in income surtax, \$170,077 in local option sales tax, \$1,154,033 in unrestricted state grants, and \$70,736 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$54,333 and expenses were \$56,406. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Delwood Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,586,608, above last year's ending fund balance of \$1,502,696.

Governmental Fund Highlights

- The District's General Fund balance increased from \$697,072 on June 30, 2007 to \$787,511 on June 30, 2008. The fluctuation in the District's General Fund financial position is the product of many factors. The increase in expenditures was due to the increase in regular instruction expenditures due to settled wages and benefits, the pass-through of categorical funds such as teacher quality, preschool and AEA and in the support services for the wheel chair lift adjustment to an existing bus for the transporting of special education students. The increase in revenues was due to the increase in state sources. While both revenues and expenditures increased, revenues exceeded expenditures ensuring the increase in the District's financial position.

-
- The Management Levy fund balance increased from \$45,358 in 2007, to \$71,714 in 2008, due to an increase in property taxes and other local sources of revenue during the year. The District decided to offer an early retirement for eligible staff members. Payouts for both the early retirement and property/liability insurance were due in July and would need the cash for those payments.
 - The Physical Plant and Equipment Levy (PPEL) fund balance decreased from \$395,285 to \$349,926 due primarily to the increase in expenditures and the decrease in revenues. Revenues decreased primarily due to the decrease in property values. The District completed the air-conditioning of the building, carpeted two classrooms, purchased computers, updated technology wiring, and electrical wiring with the PPEL dollars.
 - The District's Capital Projects fund balance increased from \$354,218 to \$367,567 due primarily to revenues exceeding expenditures. The fund balance increased due to Local Option Sales and Service Tax funds designated for special purposes. \$102,651 of the fund balance is designated to follow students for the whole grade sharing agreement with Maquoketa Community School District to provide the 7-12th graders with appropriate facilities. This is monitored by the Facilities Improvement Committee with representatives from both Districts. The remaining fund balance goes toward the District's revenue bond until it is paid off.

Proprietary Fund Highlights

The School Nutrition Fund net assets decreased from \$12,385 at June 30, 2007 to \$10,312 at June 30, 2008, representing a decrease of approximately 16.74%. For fiscal 2008, the decrease in net assets was due primarily to the depreciation of equipment. The District is monitoring the Nutrition program and has reduced hours, raised rates and eliminated substitutes. The District realizes to provide a quality program, the General Fund may have to supplement for the program to survive.

BUDGETARY HIGHLIGHTS

The District's revenues were \$26,103 more than budgeted revenues, a variance of 0.97%. The most significant variance resulted from the District receiving more in state sources than originally anticipated.

Total expenditures were \$545,038 less than budgeted, primarily due to the District's budget for the General Fund. It is the District's practice to budget expenditures higher than expected to allow for unexpected categorical funding, substitute expenses for long term leaves, textbooks and computers. A line-item budget with prior year's comparisons, known expenditures and allowances for unexpected expenditures during the year is created before the budget is submitted in April. The line-item budget is updated several times during the year. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$1,148,339, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This amount represents a net increase of 6.07% from last year. More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$92,704.

The original cost of the District's capital assets was \$2,283,093. Governmental funds account for \$2,251,100 with the remainder of \$31,993 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$77,414 at June 30, 2007, compared to \$113,316 reported at June 30, 2008. The increase in machinery and equipment was primarily due to the purchase of a new bus during the year.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 600	600	0	0	600	600	0.00%
Buildings	1,012,511	980,993	0	0	1,012,511	980,993	3.21%
Land improvements	21,912	23,617	0	0	21,912	23,617	-7.22%
Machinery and equipment	103,261	65,735	10,055	11,679	113,316	77,414	46.38%
Total	\$ 1,138,284	1,070,945	10,055	11,679	1,148,339	1,082,624	6.07%

Long-Term Debt

At June 30, 2008, the District had \$232,145 in long-term debt outstanding. This represents a decrease of 14.02% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding Revenue Bonds payable of \$205,000 at June 30, 2008.

The District had total outstanding Early Retirement payable from the Special Revenue, Management Levy Fund of \$27,145 at June 30, 2008.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
Revenue bonds	\$ 205,000	270,000	-24.07%
Early retirement	27,145	0	100.00%
	\$ 232,145	270,000	-14.02%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of this circumstance that could significantly affect its financial health in the future:

- The District's enrollment decreased from 260.1 in the fall of 2006 to 236.7 in the fall of 2007. Both the state formula funding and categorical funding are based on student enrollment. This could have a negative affect for the 2008-09 school year. However, the addition of the preschool program has helped to increase total enrollment as well as open-enrolled in has

increased the school age students served by the District. In the fall of 2008 the District decreased another six students but doubled the preschool program and again increased open-enrolled in by seven students.

- Clinton and Jackson county property tax valuation for the 2008-09 budget year decreased to \$61,373,799, a 6% decrease due to a 10% state-wide rollback of land and buildings and a local drought year of cropping data. However for the 2009-10 budget year, the property values increased to \$64,333,489.
- Iowa's legislature again increased allowable grow at 4% for FY08 and FY09. The legislators have also continued to support Teacher Quality programs for increased wages and staff development.
- The District is continuing to support a quality after-school program with dollars coming from parent fees, grants and some District funding. The District feels it offers a safe environment with additional educational opportunities. The District has also continued to offer a before school program funded totally by parent fees.
- In the spring of 2006, the Board decided to add a preschool classroom with a licensed teacher in the morning and organized daycare in the afternoon. The classroom is multi-aged 3, 4 and 5 year olds working and playing together to prepare students for the transition into kindergarten. In 2006-07 the program was fully funded with student fees, empowerment grants, gaming grant, donations and age eligible students on certified count. For 2007-08, the District was fortunate enough to receive the state preschool grant for all four year olds in the program and will in the future receive enrollment of 60% of state cost per pupil as state aid for all four year olds. In 2008-09 the program doubled offering a morning and afternoon preschool and the organized daycare counterpart. The District views this as another step of offering educational opportunities for children, while remaining economically steady.
- Since 2006-07, the District has combined the principal and superintendent position and reduced administrative expenditures allowing more funding for educational opportunities for kids.
- In June of 2008, the District decided to offer summer school opportunities for students entering kindergarten in the fall of 2008 and for students in grades kindergarten through 3rd grade. The programs were funded with empowerment grants in June and continued into July and August being funded mostly by fees. The program was well attended, considered a success and will be offered again in the future.
- Insurance costs have continued to increase for property, casualty and vehicles. The rates for employee health insurance remained stable but deductible and out of pocket maximum increased.
- In March 2008, the Delwood Community School District and the Delwood Education Association settled a two year contract at a 4.5% total package increase for the 2008-09 and again for the 2009-10 school year.
- 2008-09 will be the 22nd year of a Whole Grade Sharing Agreement for the District's 7-12th grade students with the Maquoketa Community School District. The District pays 92% of the state per pupil cost and the per pupil cost of the Local Option Sales and Service Tax under 28E agreements. The District provides the transportation for their students. The District feels this is giving students in both districts additional educational opportunities.

-
- The District has remained financially stable and has projected to remain independent for years to come. While the District has one of the lowest levy rates of the state, the District has the ability to levy more due to its \$3,000,000 carry over “spending authority” and the Educational Improvement Program adopted by voters in 1990 that can be funded through both property tax and income surtax.
 - The District continues to offer a strong education as evidenced by student achievement data.
 - The District has a very experienced teaching staff that supports student learning and a very supportive non-certified staff.
 - The District maintains reliable transportation vehicles, modern equipment and technology, modern media center and retains their building in quality condition.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide the District’s citizens, taxpayers, customers, investors and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jane L. Goodenow, District Secretary/Treasurer and Business Manager or Superintendent Sue Goodall, Delwood Community School District, 311 Delmar Avenue, P.O. Box 292, Delmar, Iowa 52037.

BASIC FINANCIAL STATEMENTS

DELWOOD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 1,699,098	109	1,699,207
Receivables:			
Property tax:			
Delinquent	12,675	0	12,675
Succeeding year	721,297	0	721,297
Income surtax	65,137	0	65,137
Accounts	4,560	178	4,738
Due from other governments	81,260	0	81,260
Prepays	6,159	0	6,159
Inventories	0	695	695
Capital assets, net of accumulated depreciation (Note 4)	1,138,284	10,055	1,148,339
Total Assets	3,728,470	11,037	3,739,507
Liabilities			
Accounts payable	123,575	0	123,575
Salaries and benefits payable	91,795	0	91,795
Interest payable	725	0	725
Deferred revenue:			
Succeeding year property tax	721,297	0	721,297
Unearned revenue	0	725	725
Long-term liabilities (Note 5):			
Portion due within one year:			
Revenue bonds payable	65,000	0	65,000
Early retirement	13,572	0	13,572
Portion due after one year:			
Revenue bonds payable	140,000	0	140,000
Early retirement	13,573	0	13,573
Total Liabilities	1,169,537	725	1,170,262
Net Assets			
Invested in capital assets, net of related debt	933,284	10,055	1,148,339
Restricted for:			
Talented and gifted	24,908	0	24,908
Statewide voluntary preschool	9,492	0	9,492
Market factor incentives	1,452	0	1,452
Capital projects	367,567	0	367,567
Physical plant & equipment levy	349,926	0	349,926
Management levy	44,569	0	44,569
Other special revenue purposes	9,890	0	9,890
Unrestricted	817,845	257	613,102
Total Net Assets	\$ 2,558,933	10,312	2,569,245

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

DELWOOD COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular instruction	\$ 1,152,277	116,188	226,229	(809,860)	0	(809,860)
Special instruction	365,641	0	12,942	(352,699)	0	(352,699)
Other instruction	96,809	12,489	0	(84,320)	0	(84,320)
	<u>1,614,727</u>	<u>128,677</u>	<u>239,171</u>	<u>(1,246,879)</u>	<u>0</u>	<u>(1,246,879)</u>
Support services:						
Student services	21,463	0	0	(21,463)	0	(21,463)
Instructional staff services	48,369	0	0	(48,369)	0	(48,369)
Administration services	203,906	0	0	(203,906)	0	(203,906)
Operation and maintenance of plant services	135,677	0	0	(135,677)	0	(135,677)
Transportation services	190,326	0	0	(190,326)	0	(190,326)
	<u>599,741</u>	<u>0</u>	<u>0</u>	<u>(599,741)</u>	<u>0</u>	<u>(599,741)</u>
Non-instructional programs	30,951	0	0	(30,951)	0	(30,951)
Other expenditures:						
Facilities acquisitions	77,683	0	0	(77,683)	0	(77,683)
Long-term debt interest	12,270	0	0	(12,270)	0	(12,270)
AEA flowthrough	89,062	0	89,062	0	0	0
Depreciation(unallocated)*	34,933	0	0	(34,933)	0	(34,933)
	<u>213,948</u>	<u>0</u>	<u>89,062</u>	<u>(124,886)</u>	<u>0</u>	<u>(124,886)</u>
Total governmental activities	2,459,367	128,677	328,233	(2,002,457)	0	(2,002,457)
Business-Type activities:						
Non-instructional programs:						
Nutrition services	56,406	25,305	26,128	0	(4,973)	(4,973)
Total business-type activities	<u>56,406</u>	<u>25,305</u>	<u>26,128</u>	<u>0</u>	<u>(4,973)</u>	<u>(4,973)</u>
Total	<u>\$ 2,515,773</u>	<u>153,982</u>	<u>354,361</u>	<u>(2,002,457)</u>	<u>(4,973)</u>	<u>(2,007,430)</u>
General Revenues and Transfers:						
General Revenues:						
Property tax levied for:						
General purposes				\$ 663,545	0	663,545
Capital outlay				65,204	0	65,204
Income surtax				70,168	0	70,168
Local option sales and service tax				170,077	0	170,077
Unrestricted state grants				1,154,033	0	1,154,033
Unrestricted investment earnings				70,736	155	70,891
Other				7,128	0	7,128
Transfers				(2,745)	2,745	0
Total general revenues and transfers				<u>2,198,146</u>	<u>2,900</u>	<u>2,201,046</u>
Changes in net assets				195,689	(2,073)	193,616
Net assets beginning of year				<u>2,363,244</u>	<u>12,385</u>	<u>2,375,629</u>
Net assets end of year				<u>\$ 2,558,933</u>	<u>10,312</u>	<u>2,569,245</u>

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

DELWOOD COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Physical Plant and Equipment Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
Assets					
Cash and pooled investments	\$ 935,421	344,242	337,015	80,646	1,697,324
Receivables:					
Property tax:					
Delinquent	10,583	1,134	0	958	12,675
Succeeding year	633,924	61,373	0	26,000	721,297
Income surtax	65,137	0	0	0	65,137
Accounts	10	4,550	0	0	4,560
Due from other governments	50,508	0	30,752	0	81,260
Prepays	6,159	0	0	0	6,159
Total Assets	\$ 1,701,742	411,299	367,767	107,604	2,588,412
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 123,375	0	200	0	123,575
Salaries and benefits payable	91,795	0	0		91,795
Deferred revenue:					
Succeeding year property tax	633,924	61,373	0	26,000	721,297
Income surtax	65,137	0	0	0	65,137
Total liabilities	914,231	61,373	200	26,000	1,001,804
Fund balances:					
Reserved for:					
Talented and gifted	24,908	0	0	0	24,908
Statewide voluntary preschool	9,492	0	0	0	9,492
Market factor incentives	1,452	0	0	0	1,452
Revenue bonds	0	0	50,000	0	50,000
Unreserved:					
Designated for special purposes	0	0	102,651	0	102,651
Undesignated	751,659	349,926	214,916	81,604	1,398,105
Total fund balances	787,511	349,926	367,567	81,604	1,586,608
Total Liabilities and Fund Balances	\$ 1,701,742	411,299	367,767	107,604	2,588,412

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

DELWOOD COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Total fund balances of governmental funds (page 17) \$ 1,586,608

*Amounts reported for governmental activities in the
statement of net assets are different because:*

Capital assets used in governmental activities are not
financial resources and, therefore, are not reported as
assets in the governmental funds. 1,138,284

Blending of the Internal Service Funds to be reflected
on an entity-wide basis. 1,774

Accounts receivable income surtax, are not yet available
to finance expenditures of the current fiscal period. 65,137

Accrued interest payable on long-term liabilities is not due
and payable in the current period and, therefore, is not
reported as a liability in the governmental funds. (725)

Long-term liabilities, including revenue bonds payable
and early retirement are not due and payable in the
current period and, therefore, are not reported as
liabilities in the governmental funds. (232,145)

Net assets of governmental activities (page 15) \$ 2,558,933

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

DELWOOD COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	General	Physical Plant and Equipment Levy	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 674,027	65,204	170,077	55,117	964,425
Tuition	110,758	0	0	0	110,758
Other	55,483	17,490	15,782	7,028	95,783
State sources	1,414,691	44	0	27	1,414,762
Federal sources	67,504	0	0	0	67,504
Total revenues	2,322,463	82,738	185,859	62,172	2,653,232
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	1,121,534	5,479	0	2,334	1,129,347
Special instruction	365,641	0	0	0	365,641
Other instruction	96,041	0	0	768	96,809
	1,583,216	5,479	0	3,102	1,591,797
Support services:					
Student services	21,463	0	0	0	21,463
Instructional staff services	38,626	4,111	0	0	42,737
Administration services	193,821	0	0	7,526	201,347
Operation and maintenance of plant services	118,806	0	0	15,509	134,315
Transportation services	154,336	71,078	0	9,550	234,964
	527,052	75,189	0	32,585	634,826
Non-instructional programs	29,949	0	0	1,002	30,951
Other expenditures:					
Facilities acquisitions	0	47,429	95,000	0	142,429
Long-term debt:					
Principal	0	0	0	65,000	65,000
Interest and fiscal charges	0	0	0	12,510	12,510
AEA flowthrough	89,062	0	0	0	89,062
	89,062	47,429	95,000	77,510	309,001
Total expenditures	2,229,279	128,097	95,000	114,199	2,566,575
Excess(deficiency) of revenues over(under) expenditures	93,184	(45,359)	90,859	(52,027)	86,657
Other financing sources(uses):					
Transfer in	355	0	0	77,510	77,865
Transfer out	(3,100)	0	(77,510)	0	(80,610)
Total other financing sources(uses)	(2,745)	0	(77,510)	77,510	(2,745)
Net change in fund balances	90,439	(45,359)	13,349	25,483	83,912
Fund balance beginning of year	697,072	395,285	354,218	56,121	1,502,696
Fund balance end of year	\$ 787,511	349,926	367,567	81,604	1,586,608

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

DELWOOD COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds (page 19) \$ 83,912

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlays expenditures and depreciation expense in the current year, are as follows:

Capital expenditures	\$ 147,763	
Depreciation expense	<u>(80,424)</u>	67,339

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.		4,569
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Net change in Internal Service Funds charged back against expenditures made for self-funded insurance at an entity-wide basis.		1,774
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Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments, are as follows:		
Repaid		65,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.		240
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in the governmental funds, as follows:		
Early retirement		<u>(27,145)</u>

Changes in net assets of governmental activities (page 16)		<u>\$ 195,689</u>
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SEE NOTES TO BASIC FINANCIAL STATEMENTS.

DELWOOD COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2008

	Business-Type	
	Activities:	Governmental
	Enterprise	Activities:
	Fund	Internal
	School	Service
	Nutrition	Fund
Assets		
Cash and cash equivalents	\$ 109	1,774
Receivables:		
Accounts	178	0
Inventories	695	0
Capital assets, net of accumulated depreciation(Note 4)	10,055	0
Total Assets	11,037	1,774
Liabilities		
Unearned revenues	725	0
Net Assets		
Invested in capital assets	10,055	0
Unrestricted	257	1,774
Total Net Assets	\$ 10,312	1,774

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

DELWOOD COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2008

	Business-Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
OPERATING REVENUE:		
Local sources:		
Charges for services	\$ 25,305	11,178
TOTAL OPERATING REVENUES	25,305	11,178
OPERATING EXPENSES:		
Support services:		
Administration:		
Services	0	9,404
Non-instructional programs:		
Food services operations:		
Salaries	20,911	0
Benefits	2,768	0
Services	1,581	0
Supplies	18,866	0
Depreciation	12,280	0
	56,406	0
TOTAL OPERATING EXPENSES	56,406	9,404
OPERATING INCOME (LOSS)	(31,101)	1,774
NON-OPERATING REVENUES:		
Interest	155	0
State sources	661	0
Federal sources	25,467	0
TOTAL NON-OPERATING REVENUES	26,283	0
Change in net assets before other financing sources (uses)	(4,818)	1,774
OTHER FINANCING SOURCES (USES)		
Transfers in	3,100	0
Transfers out	(355)	0
TOTAL OTHER FINANCING SOURCES (USES)	2,745	0
Change in net assets	(2,073)	1,774
Net assets beginning of year	12,385	0
Net assets end of year	\$ 10,312	1,774

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

DELWOOD COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2008

	Business-Type Activities: Enterprise Fund School Nutrition	Governmental Activities: Internal Service Fund
Cash flows from operating activities:		
Cash received from sale of lunches and breakfasts	\$ 25,727	0
Cash received from miscellaneous operating activities	125	11,178
Cash payments to employees for services	(23,679)	0
Cash payments to suppliers for goods or services	(17,809)	(9,404)
Net cash provided by(used in) operating activities	(15,636)	1,774
Cash flows from non-capital financing activities:		
Transfer from General fund	2,745	0
State grants received	661	0
Federal grants received	22,746	0
Net cash provided by non-capital financing activities	26,152	0
Cash flows from capital financing activities:		
Acquisition of assets	(10,656)	0
Cash flows from investing activities:		
Interest on investments	155	0
Net increase in cash and cash equivalents	15	1,774
Cash and cash equivalents at beginning of year	94	0
Cash and cash equivalents at end of year	\$ 109	1,774
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:		
Operating income(loss)	\$ (31,101)	1,774
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:		
Commodities consumed	2,721	0
Depreciation	12,280	0
Increase in inventories	(83)	0
Increase in accounts receivable	(178)	0
Increase in unearned revenue	725	0
Net cash provided by(used in) operating activities	\$ (15,636)	1,774
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:		
Current assets:		
Cash and pooled investments	\$ 109	1,774

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received Federal commodities valued at \$2,721.

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

DELWOOD COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

		<u>Private Purpose</u>
		<u>Trust</u>
		<u>Scholarships</u>
Assets		
Cash and pooled investments	\$	135,065
Liabilities		<u>0</u>
Net Assets		
Restricted for scholarships	\$	<u>135,065</u>

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

DELWOOD COMMUNITY SCHOOL DISTRICT
STATEMENT CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	Private Purpose Trust Scholarship
Additions:	
Local sources:	
Interest	\$ 6,509
Deductions:	
Instruction:	
Scholarships awarded	6,905
Change in net assets	(396)
Net assets beginning of year	135,461
Net assets end of year	\$ 135,065

SEE NOTES TO BASIC FINANCIAL STATEMENTS.

DELWOOD COMMUNITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2008

(1) Summary of Significant Accounting Policies

The Delwood Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades preschool through sixth. Additionally, the District either operates or sponsors various after school programs for the community. The geographic area served includes the Cities of Delmar and Elwood, Iowa, and the predominate agricultural territory in Clinton and Jackson Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Delwood Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Delwood Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Clinton County Assessors' Conference Board.

B. Basis of Presentation

Government-wide financial statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference

reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Special Revenue - Physical Plant and Equipment Levy(PPEL) Fund is used to account for resources used in building improvements and equipment purchases.

The District's proprietary funds are the School Nutrition Fund and the Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the self-funded insurance plan of the District. The Internal Service Fund is charged back to the Governmental Funds and shown combined in the Statement of Net Assets and the Statement of Activities.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary fund includes the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the "economic resources measurement focus" and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board

Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than twelve months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax

accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	2,000
Land improvements	2,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	2,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue

consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenues - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the Government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit of other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified Portfolio	\$ 97,495

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) Transfers

The detail of transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
General	Enterprise, School Nutrition	\$ 355
Enterprise, School Nutrition	General	3,100
Debt Service	Capital Projects	77,510
Total		<u>\$ 80,965</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 600	0	0	600
Total capital assets not being depreciated	600	0	0	600
Capital assets being depreciated:				
Buildings	1,238,497	54,142	0	1,292,639
Land improvements	43,942	0	0	43,942
Machinery and equipment	856,424	93,621	36,126	913,919
Total capital assets being depreciated	2,138,863	147,763	36,126	2,250,500
Less accumulated depreciation for:				
Buildings	257,504	22,624	0	280,128
Land improvements	20,325	1,705	0	22,030
Machinery and equipment	790,689	56,095	36,126	810,658
Total accumulated depreciation	1,068,518	80,424	36,126	1,112,816
Total capital assets being depreciated, net	1,070,345	67,339	0	1,137,684
Governmental activities capital assets, net	\$ 1,070,945	67,339	0	<u>1,138,284</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 22,894	10,656	1,557	31,993
Less accumulated depreciation	11,215	12,280	1,557	21,938
Business-type activities capital assets, net	\$ 11,679	(1,624)	0	10,055

Depreciation expense was charged by the District as follows:

Governmental activities:

Instruction:

Regular

\$ 2,980

Support services:

Instructional staff services

16,371

Administration

2,559

Operation and maintenance of plant

1,362

Transportation

22,219

45,491

Unallocated depreciation

34,933

Total governmental activities depreciation expense

\$ 80,424

Business-type activities:

Food services

\$ 12,280

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
Revenue bonds	\$ 270,000	0	65,000	205,000	65,000
Early retirement	0	27,145	0	27,145	13,572
Total	\$ 270,000	27,145	65,000	232,145	78,572

Revenue Bonds Payable

Details of the District's June 30, 2008 revenue bonded indebtedness are as follows:

Year	Bond Issue of September 1, 2003			
Ending	Interest			
June 30,	Rates	Principal	Interest	Total
2009	5.25	% \$ 65,000	8,697	73,697
2010	3.70	70,000	5,285	75,285
2011	3.85	70,000	1,347	71,347
Total		\$ 205,000	15,329	220,329

The District has pledged future local option sales and services tax revenues to repay the \$500,000 bonds issued in September 2003. The bonds were issued for the purpose of an addition for a media center, cafeteria and kitchen. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District and are payable through 2011. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds required 45.34% of the local option sales and services tax revenues. The total principal and interest remaining to be paid on the bonds is \$220,329. For the current year, principal and interest paid on the bonds was \$77,110 and local option sales and services tax revenues were \$170,077.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) \$50,000 of the proceeds from the issuance of the revenue bonds shall be deposited to the Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account.
- b) All proceeds from the local option sales and services tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

Early Retirement

The District offered a voluntary early retirement plan to its employees. Eligible employees must be at least age fifty-five and have worked for the District at least fifteen years. Employees must complete an application which is required to be approved by the Board of Education. The employee will receive 50% of his/her last year's contracted wages to be paid into a special account over two years. The employee could elect to purchase health insurance through the school at his/her expense. No early retirement benefits were paid during the year ended June 30, 2008.

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual payroll for the years ended June 30, 2008, 2007 and 2006. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$53,570, \$47,487 and \$47,651, respectively, equal to the required contributions for each year.

(7) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$89,062 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

DELWOOD COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 1,170,966	25,460	1,196,426	1,227,527	1,227,527	(31,101)
State sources	1,414,762	661	1,415,423	1,361,240	1,361,240	54,183
Federal sources	67,504	25,467	92,971	89,950	89,950	3,021
Total revenues	2,653,232	51,588	2,704,820	2,678,717	2,678,717	26,103
Expenditures:						
Instruction	1,591,797	0	1,591,797	1,937,000	1,937,000	345,203
Support services	634,826	0	634,826	722,108	722,108	87,282
Non-instructional programs	30,951	56,406	87,357	99,200	99,200	11,843
Other expenditures	309,001	0	309,001	409,711	409,711	100,710
Total expenditures	2,566,575	56,406	2,622,981	3,168,019	3,168,019	545,038
Excess(deficiency) of revenues over(under) expenditures	86,657	(4,818)	81,839	(489,302)	(489,302)	571,141
Other financing sources(uses), net	(2,745)	2,745	0	400	400	(400)
Excess(deficiency) of revenues and other financing sources over(under) expenditures and other financing uses	83,912	(2,073)	81,839	(488,902)	(488,902)	570,741
Balance beginning of year	1,502,696	12,385	1,515,081	1,277,843	1,277,843	237,238
Balance end of year	\$ 1,586,608	10,312	1,596,920	788,941	788,941	807,979

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DELWOOD COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. Encumbrances are not recognized on the GAAP basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTARY INFORMATION

DELWOOD COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2008

	Manage- ment Levy	Student Activity	Total
ASSETS			
Cash and pooled investments	\$ 70,756	9,890	80,646
Receivables:			
Property tax:			
Current year delinquent	958	0	958
Succeeding year	26,000	0	26,000
TOTAL ASSETS	\$ 97,714	9,890	107,604
LIABILITIES AND FUND BALANCES			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 26,000	0	26,000
	26,000	0	26,000
Fund balances:			
Unreserved:			
Undesignated	71,714	9,890	81,604
Total fund balances	71,714	9,890	81,604
TOTAL LIABILITIES AND FUND BALANCES	\$ 97,714	9,890	107,604

Note: Student Activity Fund consists of one account, 5th and 6th Grade Trip.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DELWOOD COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2008

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Total Special Revenue	Debt Service	
REVENUES:					
Local sources:					
Local tax	\$ 55,117	0	55,117	0	55,117
Other	5,923	1,105	7,028	0	7,028
State sources	27	0	27	0	27
Total revenues	61,067	1,105	62,172	0	62,172
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	2,334	0	2,334	0	2,334
Other instruction	0	768	768	0	768
	2,334	768	3,102	0	3,102
Support services:					
Administration services	7,526	0	7,526	0	7,526
Operation and maintenance of plant services	15,509	0	15,509	0	15,509
Transportation services	8,340	1,210	9,550	0	9,550
	31,375	1,210	32,585	0	32,585
Non-instructional programs	1,002	0	1,002	0	1,002
Other expenditures:					
Long-term debt:					
Principal	0	0	0	65,000	65,000
Interest and fiscal charges	0	0	0	12,510	12,510
	0	0	0	77,510	77,510
Total expenditures	34,711	1,978	36,689	77,510	114,199
Excess(deficiency) of revenues over(under) expenditures	26,356	(873)	25,483	(77,510)	(52,027)
Other financing sources:					
Transfers in	0	0	0	77,510	77,510
Net change in fund balances	26,356	(873)	25,483	0	25,483
Fund balance beginning of year	45,358	10,763	56,121	0	56,121
Fund balance end of year	\$ 71,714	9,890	81,604	0	81,604

Note: Student Activity Fund consists of one account, 5th and 6th Grade Trip.

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

DELWOOD COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FIVE YEARS

	Modified Accrual Basis				
	Years Ended June 30,				
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 964,425	978,434	853,716	951,294	985,164
Tuition	110,758	109,445	85,099	119,719	87,935
Other	95,783	116,591	147,000	77,472	94,632
State sources	1,414,762	1,140,186	1,251,350	1,048,176	1,089,315
Federal sources	67,504	62,198	76,866	83,296	79,661
Total	<u>\$ 2,653,232</u>	<u>2,406,854</u>	<u>2,414,031</u>	<u>2,279,957</u>	<u>2,336,707</u>
Expenditures:					
Instruction:					
Regular instruction	\$ 1,129,347	1,048,161	995,246	972,818	1,174,642
Special instruction	365,641	448,685	427,745	421,871	142,863
Other instruction	96,809	77,582	2,637	35,532	6,082
Support services:					
Student services	21,463	17,766	24,034	29,342	68,414
Instructional staff services	42,737	42,876	96,775	104,658	78,877
Administration services	201,347	187,222	240,482	226,621	209,030
Operation and maintenance of plant services	134,315	135,942	140,984	155,101	131,227
Transportation services	234,964	150,036	133,769	137,182	100,440
Non-instructional programs	30,951	29,535	25,236	30,369	5,883
Other expenditures:					
Facilities acquisition	142,429	118,679	79,766	297,230	557,670
Long-term debt:					
Principal	65,000	60,000	60,000	55,000	55,000
Interest and other charges	12,510	15,810	19,110	22,135	18,870
AEA flow-through	89,062	80,430	79,033	76,804	79,308
Total	<u>\$ 2,566,575</u>	<u>2,412,724</u>	<u>2,324,817</u>	<u>2,564,663</u>	<u>2,628,306</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.

Certified Public Accountants

(a professional corporation)

117 West 3rd Street North, Newton, Iowa 50208-3050

Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the
Delwood Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Delwood Community School District of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated April 20, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Delwood Community School District internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Delwood Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Delwood Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Delwood Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Delwood Community School District's financial statements that is more than inconsequential will not be prevented or detected by Delwood Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Delwood Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Delwood Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Delwood Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Delwood Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Delwood Community School District and other parties to whom Delwood Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Delwood Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

April 20, 2009

DELWOOD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

I-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The administrative team including the superintendent/principal, superintendent/building secretary, business coordinator/board secretary and the Delwood School Board continue to review the District's accounting system of cross-checking our procedures to reveal any discrepancies and implement changes to improve the internal control as we deem necessary. Due to our size we do not have enough staff to split the duties as they should be but are comfortable assuming each other's positions in their absence and feel by constantly cross-checking it would reveal errors or omissions.

Conclusion - Response accepted.

DELWOOD COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-08 Certified Budget - District expenditures for the year ended June 30, 2008, did not exceed the amount budgeted.
- II-B-08 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-08 Business Transactions - No business transactions between the District and District officials were noted.
- II-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-08 Certified Enrollment - We noted no variance in the basic enrollment data certified to the Department of Education.
- II-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.